

COUNTY OF ORANGE
2002 Business Plan

TREASURER-TAX COLLECTOR DEPARTMENT

February 1, 2002



Approved:

John M. W. Moorlach, C.P.A., CFP™
Treasurer-Tax Collector

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EXECUTIVE SUMMARY

Welcome to our fifth annual departmental Business Plan! This post-bankruptcy milestone provides a reason to look back and review our past submissions. Our previous Business Plans have certainly done an effective job of showing what we have accomplished and the challenges we planned to address in the next twelve months. In reflecting back, we have been very successful in achieving our goals. The Business Plans have been a valuable tool in demonstrating the value of this department's management team and staff.

Speaking of value, our Treasurer's office provides investment services that would cost an additional \$2 million annually to replicate if we outsourced this task. Recent accounts on the East Coast have shown that keeping the Tax Collection process within the County has been prescient as many "privatizing" attempts have failed miserably and at great cost to many municipalities. Quite frankly, we are a profit center to the County. If the appropriate portion of the collection fees received by the County were directly applied to this department, then our net County cost would be reduced by approximately 50 percent.

Past accomplishments documented in our Business Plans prove to us that we are up for even more and greater challenges. In looking forward one is reminded of the phrase, "There's always something." That's why we're having fun fulfilling our simple mission of providing efficient and effective investment, cash management and property tax collection services for the County, cities, special districts and school districts. In this regard, our "key outcome measures" speak for themselves.

This upcoming year of 2002 may have some of the most significant challenges that this department has faced since the bankruptcy protection filing.

The recent assessment "recapture" Superior Court case, the successful passage of Assembly Bill 589 (as modified according to our County's preferences), the acquisition of a treasury management system, the implementation of controlled disbursements, transferring over the extra-help defined benefit plan to Human Resources, and implementing the penalty review board.

County of Orange vs. Orange County Assessment Appeals Board

The recent decision by Superior Court Judge John M. Watson has certainly generated quite a stir. No matter the final outcome of this decision, this office wants to communicate with and assist the taxpayers in any and everyway possible. Due to the uncertainty, we may find that a significant portion of our assessed secured property owners are due a refund. We faced a similar situation this past year with the City of Huntington Beach and their Retirement Override Tax Court decision. We have heard that this Department will be included in the next round of court filings, in order to issue notices of overpayment to taxpayers. Although it is premature to assess the impacts of Judge Watson's decision, here are some issues and assumptions to consider:

1. There are more than 750,000 parcels in the County of Orange.
2. We are unsure as to the retroactivity that may result from this decision.
3. As many as 50 percent of the parcels may be impacted.
4. It will take one staff member 8-hours to accurately process 50 refunds.
5. We will want to conclude the refunding process in 6-months (25 weeks).

Under the above circumstances, it will take 60 temporary employees to accomplish the task! This number should be multiplied for each year of refunds. The California Revenue and Taxation Code provides for a 4-year statute of limitations. This calculates to 240 employees! At \$15 per hour for 1,000 hours per temporary employee, the cost range is from \$900,000 to \$3,600,000. And this does not include the cost of renting adequate office space, workstations, computer terminals linked to our imaging system, related mailing and stationery costs, and additional supervisory staffing. Talk about a unique short-term challenge!

Assembly Bill 589

The former Assessor-AB 818 loan program has been converted to a grant program with the Governor's recent signature on AB 589. In its previous incarnation, this program allowed a county assessor to apply for a loan to improve on their ability to accomplish additional tasks within their department that were quantifiable and measurable. If the funds expended met or exceeded the projected performance measurement expectations, then the loan would be forgiven.

This new grant program also provides for the ability of another tax collecting agency, such as the Tax Collector, to apply for grant funds if the Assessor does not do so for all or part of the allocated grant. The amount allocated to Orange County is approximately \$6.2 million for this fiscal year, effective January 1, 2002.

It is our duty to provide specific and achievable goals, specifically quantify the anticipated costs, and accurately measure the department's actual efforts against our forecasted expectations.

It is our strong conviction that we can return multiples of the dollars expended in additional collections, making the Tax Collector's Department a viable funding recipient. My mother used to tell me "you need to spend a dime to make a quarter." For example, we hire a staff attorney to handle all unsecured property tax bankruptcy cases at a cost of \$130,000 per year. If the person filling that position can collect \$1,300,000 more than we would have without making this expenditure, then we have a return of ten times our investment.

We must apply for and effectively utilize this funding source for the next few years to improve upon what we do to the benefit of the County, its municipalities and the State.

We will propose to include our goals in the Assessor's recommendation to the Board of Supervisors for their approval. We are taking a proactive approach to participate in this program and wish to benefit from a portion of the grant. Accordingly, we will ask our good Assessor to allow the Tax Collector to be included in the grant process by providing a spending plan for the Assessor's and the County's consideration.

Treasury Management System

Our exhaustive Request For Proposal (RFP) exercise taught us so much about what we want. Unfortunately, the responses that we received did not make the proper fit. We have since reevaluated products from various vendors and have decided to pursue a blend of products under a sole-source format. Accordingly, we are moving expeditiously to conclude this acquisition process and begin working with improved technology for the \$3 to \$4 billion we have under management.

Controlled Disbursements

After several years of supporting legislation to permit “controlled disbursements,” we finally hit “pay dirt.” The Governor signed three pieces of legislation that we focused our attention on this past year, including one allowing for this cash management technique that becomes effective on January 1, 2002. We will work with the Auditor-Controller to implement this state-of-the-art banking opportunity as quickly as possible. The Treasurer and Auditor-Controller have worked together to ensure a smooth change in our banking relationships these past few months. We look forward to tackling this project with them, as well.

Extra-Help Defined Benefit Plan

After many years of pursuing the removal of the Extra-Help Defined Benefit Retirement Plan out of this department, we should see this fully consummated in 2002. Relocating this critical task to CEO-Human Resources will allow them to focus on employee benefits and the Treasurer to focus on short-term cash management. We also look forward to a smooth transition in this regard.

Penalty Review Board

One of the most awkward components of the Tax Collector’s position is imposing late payment penalties. The Tax Collector has to impose them on a consistent basis and must also be sensitive to reasonable causes for waiver. Taxpayer’s are instructed to file for a claim for refund of the penalty with the Clerk of the Board. Penalties not waived by the Tax Collector are concurred by the Board of Supervisors.

To assist all parties in this process, a penalty review board concept has been introduced and is close to implementation. The concept is easy in theory: allow five appointed private citizens to hear any requests for waiver and make a recommendation to the Tax Collector as to their disposition on the matter. Where it gets difficult is what becomes a public record and what does not so that the process is not open for abuse in future years.

After many months of pursuing a “Taxpayer Bill of Rights” format here in the county, which would be unique in the state of California, we hope to begin implementing this new objective layer of interfacing with those that have a desire to contest their penalty.

Conclusion

We’re up to these numerous challenges. And we look forward to working with the many departments that we will be interfacing with to accomplish them. It looks like 2002 will be a year where we will need a significant amount of involvement from the Board of Supervisors, the Assessor, the Auditor-Controller, the Clerk of the Board, and the County Executive Office. We are thankful that we have great working relationships with them all and know that together we can surmount any unique challenges that come our way.

MISSION & GOALS

Mission Statement

To provide efficient and effective investment, cash management and property tax collection services for the County, cities, special districts and school districts.

Goals

- Manage and preserve the investment of all service recipient funds
- To collect all property taxes for service recipients in accordance to applicable laws

CLIENT PROFILE

All service recipients for the Treasurer-Tax Collector are located geographically within the boundaries of Orange County with the exception of nonresident property owners.

The recipients of services for Treasurer Accounting, Banking, and Investment Services provided by the Treasurer's Office are the County, special districts, and school districts. The Treasurer's Office is responsible for the receipt, accounting, and investment of all service recipient funds. Approximately \$3.5 billion is managed in three separate investment pools. In addition, approximately \$133 million is invested in specific investments for certain departments and special districts. Our treasury clientele are benefited by our diligent cash flow planning, our professional investment management, and the overall accounting and reporting services provided within the Treasurer's office.

The Tax Collector's Office is responsible for collecting \$2.9 billion in property taxes. It is important to note that the County General Fund's share is approximately \$158 million. This represents the largest source of general-purpose revenue for the County General Fund. The Tax Collector collects taxes from service recipients on behalf of approximately 280 taxing jurisdictions. These jurisdictions include the County, special districts, schools and cities of Orange County. Our tax collection clientele are benefited by our tax bill dissemination, remittance and cashing processing, past due collection efforts and taxpayer telephone assistance services.

Both departmental focuses are supported by administrative, human resources, purchasing and information systems services support staff.

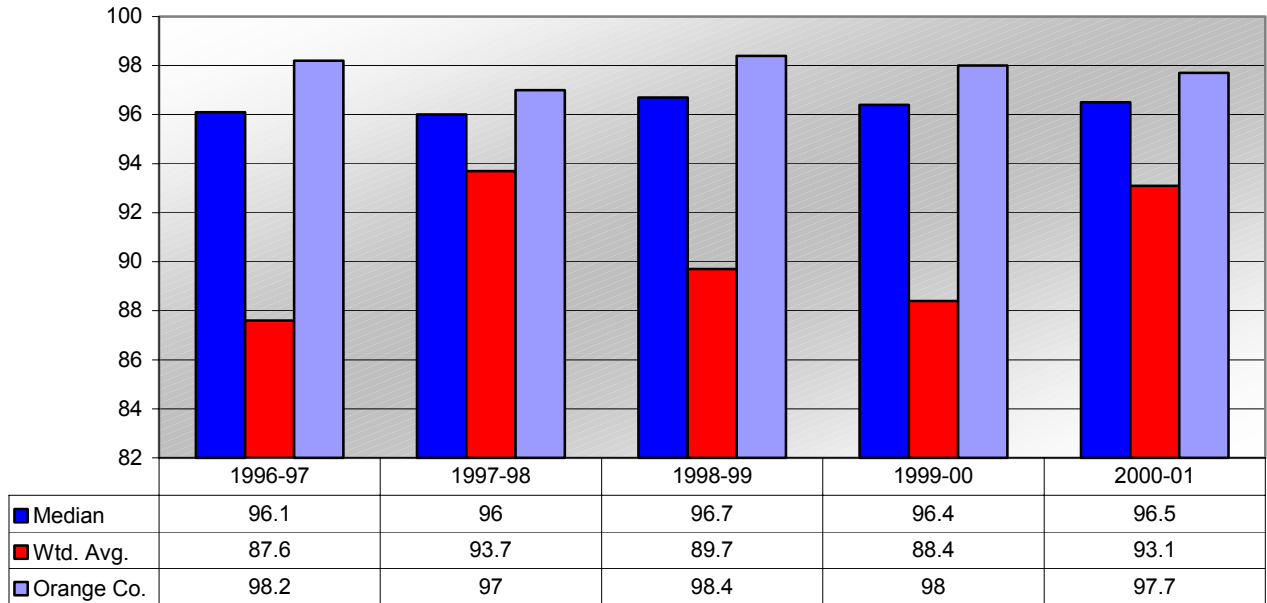
Real property owners account for the largest percentage of service recipients representing 770,000 of our 1.3 million tax bills. In addition, the top 20 corporations and companies are expected to pay 5.91 percent of the total \$2.6 billion due on the real property tax roll for the 2001-02 year. Service recipients remit property taxes in person, by mail, through mortgage impound accounts (CORTAC), utilizing convenient telephone payment alternatives, electronic fund transfers and over the Internet. Beginning in November 2000, taxpayers have been provided the option to pay by electronic check via the Web. Also, in October 2001, the Secured and Supplemental Tax Roll has been published on the Internet. With these expanded payment options, mail payments as a percentage of the total amount collected is beginning to decline.

For example, remittances by mail declined from 73 percent of payments to 66 percent of the remittances processed compared to the prior year ended June 30th. While electronic fund transfers and Interactive Voice Response (IVR) credit card payments increased from 9 percent to 13 percent.

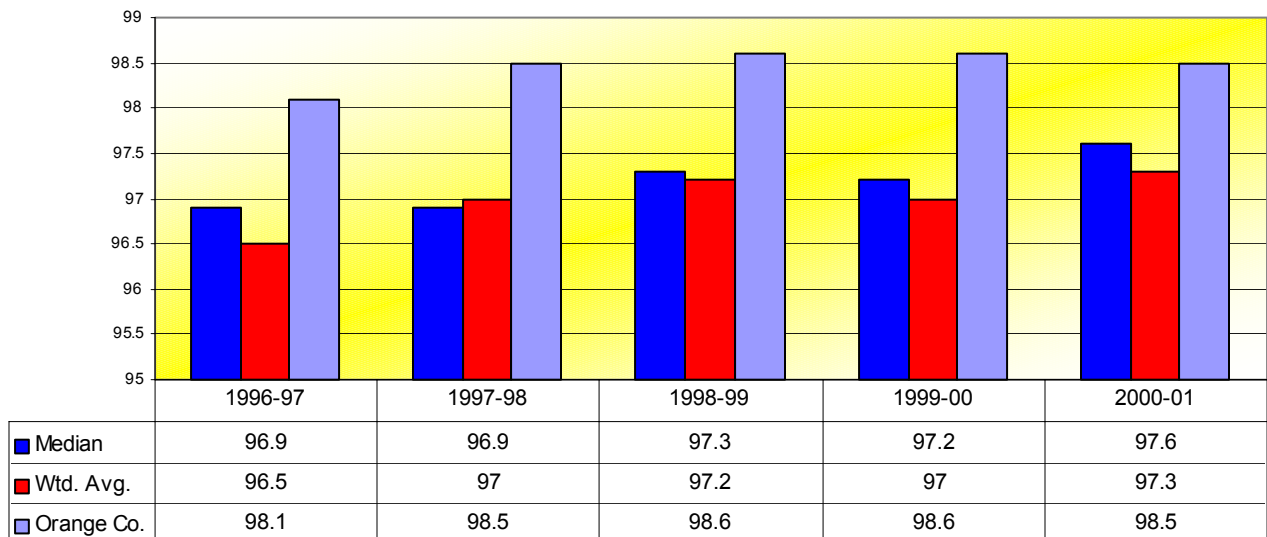
We continue to provide express payment service in the Tax Collector's Office at Santa Ana Civic Center. On tax deadlines, we offer expanded office hours and have installed a night drop box. Many senior citizens and local residents prefer to personally deliver their payments. Our goal is to service the typical in-office payment transaction within 10 minutes of arrival. This requires the shifting of resources during our peak periods. We also recently installed an in-office express payment drop box to eliminate the need for many customers to wait in line.

Both Offices of the Treasurer-Tax Collector's Department are aware of the need to utilize technology to provide service recipients with competitive products in today's environment of limited resources. Major upgrades in Collection and Treasury Systems are currently in process. In addition, new electronic commerce applications such as payment by Internet and electronic benefit payment applications are seen as cost effective solutions.

STATEWIDE PERCENTAGE OF PAID PROPERTY TAX UNSECURED



STATEWIDE PERCENTAGE OF PAID PROPERTY TAX SECURED



PERFORMANCE MEASURE	FY 2000-2001	FY 2001-2002 ANTICIPATED RESULTS	FY 2002-2003 PLAN	HOW ARE WE DOING?
NET INVESTMENT RETURN What: Within parameters of the investment policy, obtain a portfolio yield that meets or exceeds the 90-day US T-Bill and money market benchmarks. Why: To continue to provide safe, efficient and effective investment returns for our clients.	Exceeded T-Bill by 60-basis points. Exceeded money market benchmark by 23 basis points.	The Treasurer's Investment Management Committee is looking for interest rates to stabilize in the near future. The following yield projection should take us through the end of the current fiscal year: July 2001-June 2002: 2.5%	Continue to exceed benchmarks.	On target.
ADMINISTRATION FEE CHARGED TO POOL PARTICIPANTS What: To charge the lowest administration fee possible. Why: To provide a modest investment return to pool participants with minimum administrative costs.	Administration fee stayed at 12.50 basis points (i.e., 0.125%).	Administration fee to remain at 12.50 basis points (i.e. 0.125%)	Administration fee to remain at 12.50 basis points (i.e. 0.125%)	On target.
RATING OF INVESTMENT POOL What: Maintain highest rating Why: To assure safest money market practices are being followed.	Obtained an AAA/V1+ rating. School pool downgraded to AA/V1+ until July 18, 2001 when one investment matures.	Obtained AAA/V1+ ratings.	Maintain AAA/V1+ rating	On target.
STATE PROPERTY TAX COLLECTION RATES FOR SECURED AND UNSECURED PROPERTY What: Exceed State property tax collection rates for secured & unsecured property by minimizing unpaid taxes. Why: To maximize collections in property taxes for service recipients and County General Fund.	Collection percentage ratings for Secured and Unsecured exceed state median. Of the 58 counties in the State of California, Secured tax collection is currently ranked 6 th highest with 98.5% collection. Unsecured tax collection is ranked 11 th highest with 97.7% collection percentage.	To continue to exceed the state median. We anticipate a small decrease in collection percentages due to the current economic slowdown.	To maintain high collection rankings and percentages.	On target.
INVESTED CASH POSITION (PERCENT OF AVAILABLE FUNDS INVESTED) What: Maintain a maximum invested cash position. Why: To enhance portfolio returns on invested cash by minimizing idle funds.	The average invested cash for the County was 99.83% and 99.85% for the Department of Education.	The percent invested should increase due to enhanced service offered by our new bank.	The percent invested should approach 100% due to the closure of old bank accounts where funds could not be fully invested.	On target.

2002 OPERATIONAL PLAN

Key Outcome Measures:

1. Obtain a portfolio yield that meets or exceeds the 90-day US Treasury Bill and money market benchmarks within parameters of investment policy. *(Figure 1, Page 13 and Figure 2, Page 14)*
2. Decrease administration fee charged to all pool participants. *(Figure 3, Page 15)*
3. Maintain highest rating of investment pools (AAA/V-1+ per Fitch). *(Figure 5, Page 17)*
4. Exceed State property tax collection rates for secured and unsecured property by minimizing unpaid taxes. *(Annual Property Tax Collection Graphs, Page 8)*
5. Maintain a maximum invested cash position *(Figure 4, Page 16)*

Goal 1

Manage and preserve the investment of all service recipient funds

- | | |
|--------------------|---|
| Strategic Plan 1.1 | Computerize the market research presentation for weekly investment committee meetings |
| Strategic Plan 1.2 | Strategize with the Auditor-Controller to establish an Electronic Deposit Order via the Intra/Internet. Project deferred from 2001. |
| Strategic Plan 1.3 | Evaluate alternate Merchant Services Provider for the acceptance of credit cards to enhance efficiencies, countywide. |
| Strategic Plan 1.4 | Complete the procurement, implementation and training for a Treasury Management System. Work toward procurement of a Treasury Management System in process; final procurement and implementation to be completed by end of fiscal year (June 30, 2002). |
| Strategic Plan 1.5 | Provide a legislative alternative for the election of a money market portfolio investment policy statement. Legislation was previously submitted but not approved. |
| Strategic Plan 1.6 | Conversion of Department of Education fund accounting system. |
| Strategic Plan 1.7 | Commencing in 2002, establish a periodic evaluation of contracts for investment pool audit and rating services. |

Goal 2

To collect all property taxes for service recipients in accordance to applicable laws

- | | |
|--------------------|---|
| Strategic Plan 2.1 | Continue to partner with the Assessor, Auditor-Controller, Clerk of the Board and Clerk-Recorder to develop, fund and implement a long-term plan for the Assessment Tax System (ATS). The total estimated cost for the entire project is \$15.6 million and has been included in the County's Strategic Plan as a priority project. |
| Strategic Plan 2.2 | Upgrade of Remittance Processing System to utilize character recognition technology to increase throughput. |
| Strategic Plan 2.3 | Addition of Workflow imaging software for processing of payments requiring special handling. |
| Strategic Plan 2.4 | Addition of increased archival capabilities to remittance processing to support research on items rejected by the bank. |
| Strategic Plan 2.5 | Continue E-Commerce offerings of additional payment options via the Internet, including all brands of credit cards and electronic checks. Project to be completed by June 2002 (per Performance Measure 3.3 on page 24). |
| Strategic Plan 2.6 | Approval of AB 589 Property Tax Grant Program Funds to enhance the property tax administration system. A minimum of \$4.2 million in additional tax collections will be collected with the proposed enhancements. See Appendix F (page 32) for a recap schedule of proposed enhancements. |
| Strategic Plan 2.6 | Establish a Penalty Review Board to provide taxpayers with an independent review process for tax penalty waiver requests. |

Goal 3

Additional strategies applicable to the Treasurer-Tax Collection department

- | | |
|--------------------|---|
| Strategic Plan 3.1 | Continue to provide employee development training opportunities to managers and staff |
| Strategic Plan 3.2 | Reengineering of Treasurer-Tax Collection facilities to maximize workflow efficiency |
| Strategic Plan 3.3 | Continue the development of employee recognition, achievement and communication programs such as MPP and PIP. |

Strategic Plan 3.4	Expand the Treasurer-Tax Collector internship program to more schools. This will enable us to build stronger relationships with colleges and universities in Orange County.
Strategic Plan 3.5	Reevaluate the Treasurer-Tax Collector Business Continuity Plan.
Strategic Plan 3.6	Provide highest quality customer service through courteousness, timeliness and accuracy.
Strategic Plan 3.7	Embrace strategic alliances to foster public confidence in the department and County.

Other projects that will be pursued as time and resources allow include:

- Contract Tracking Automation
- Purchase Request Automation
- Electronic Document Management (EDM)
- Web-based Imaging
- E-mail of Images
- Rework of Correspondence and System Generated Letters
- Web-based ACH Debit
- Expand Imaging for Treasurer
- Remote Access (Telecommuting)
- Replacement of telephone Interactive Voice Response (IVR) system
- Evaluate replacement of Automated Call Distribution (ACD)

ORANGE COUNTY MONEY MARKET POOLS vs BENCHMARKS (GROSS)
For The Period October 1999 to October 2001

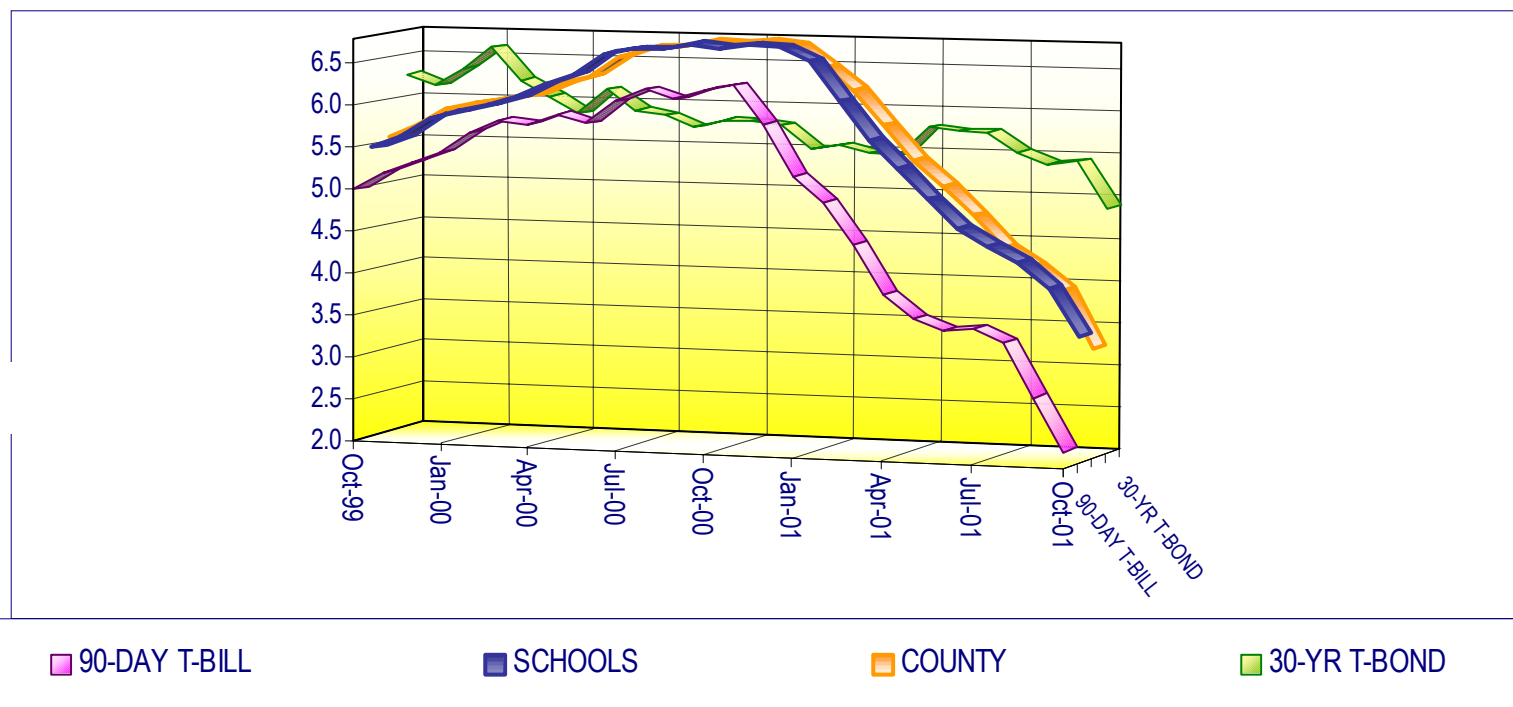


Figure 1

ORANGE COUNTY MONEY MARKET POOLS vs BENCHMARKS (NET)
For The Period October, 1999 to October, 2001

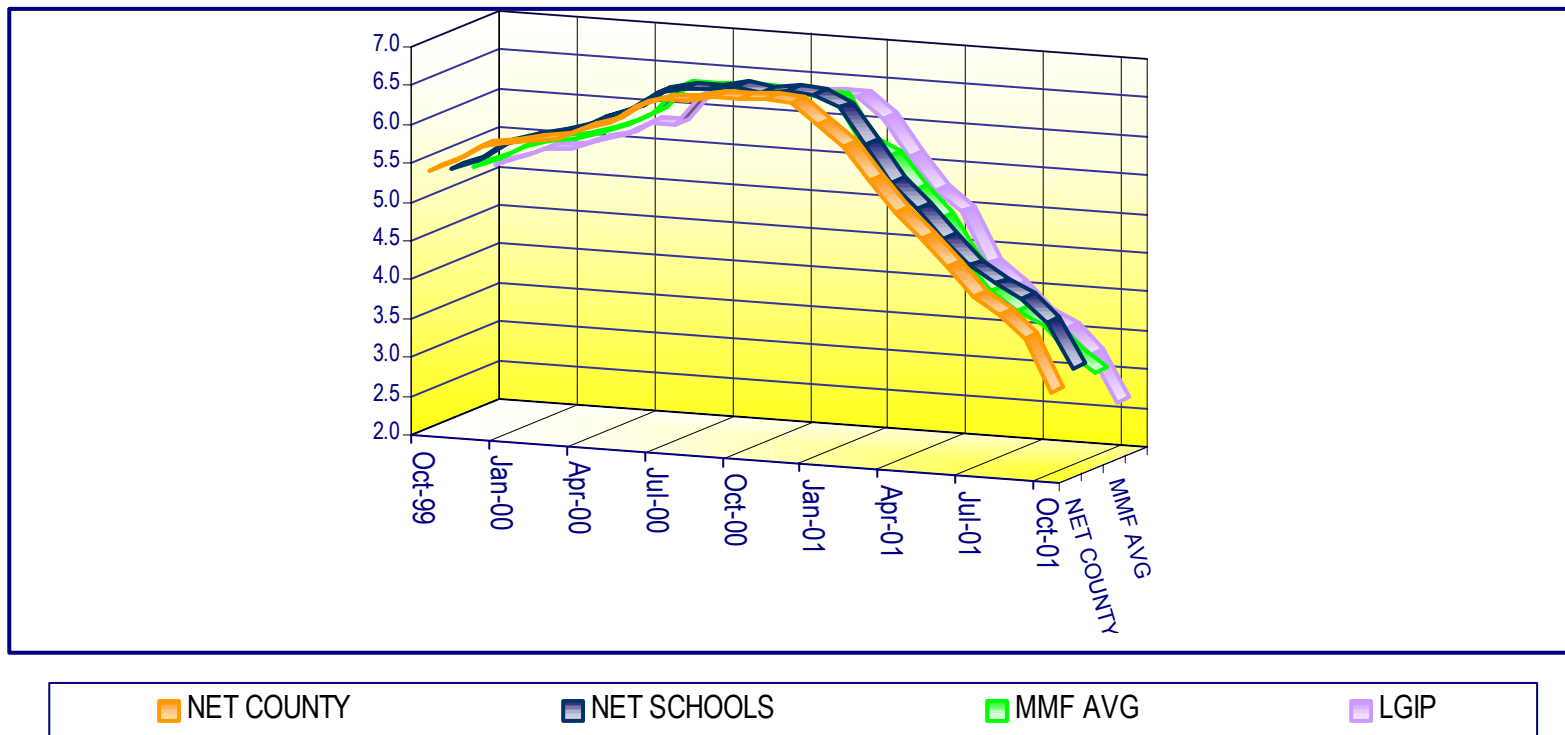


Figure 2

ORANGE COUNTY ADMINISTRATION FEE

For the Period January 1996 to June 2001

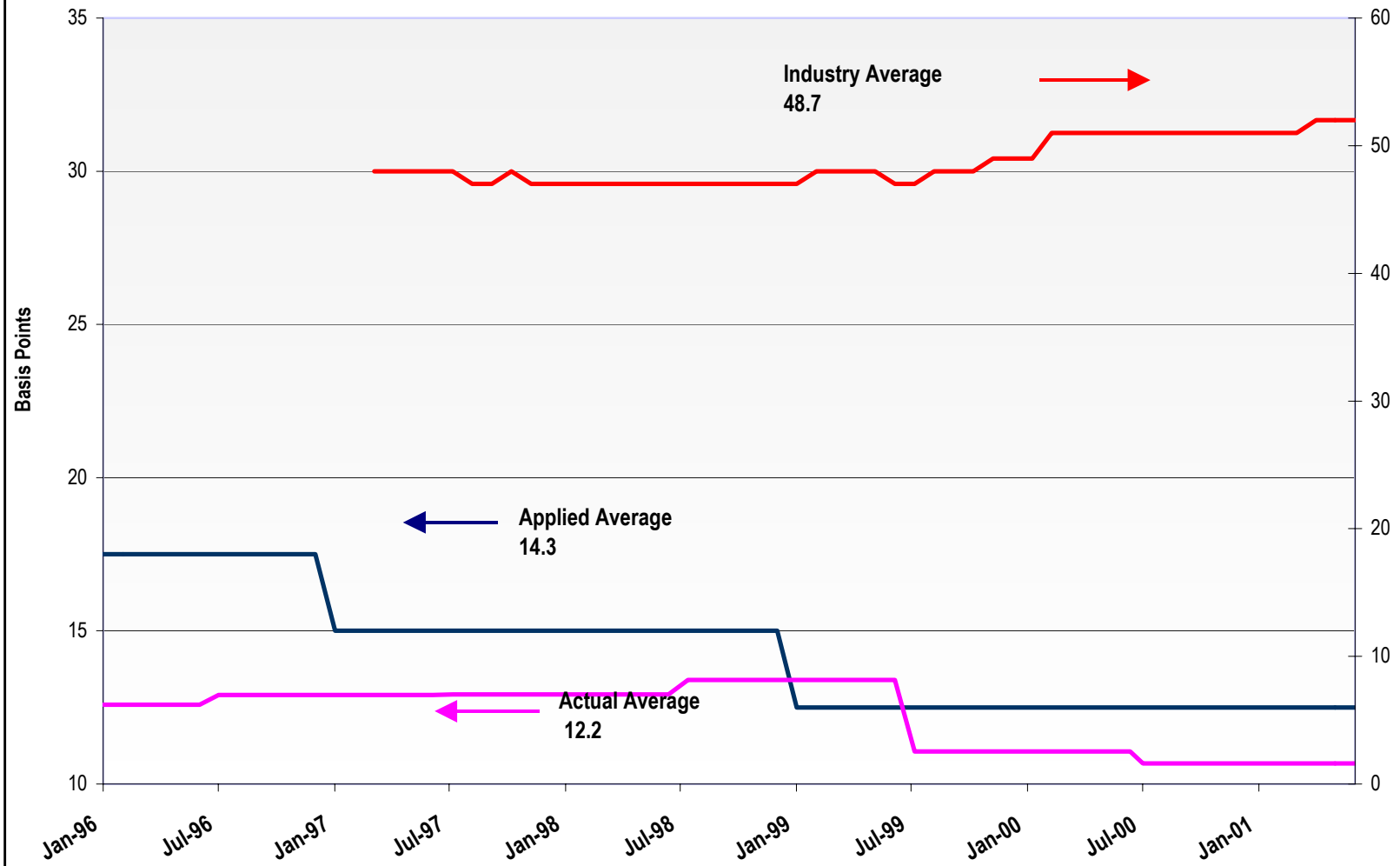


Figure 3

Percent of Total Cash Invested
July 1997 to June 2001

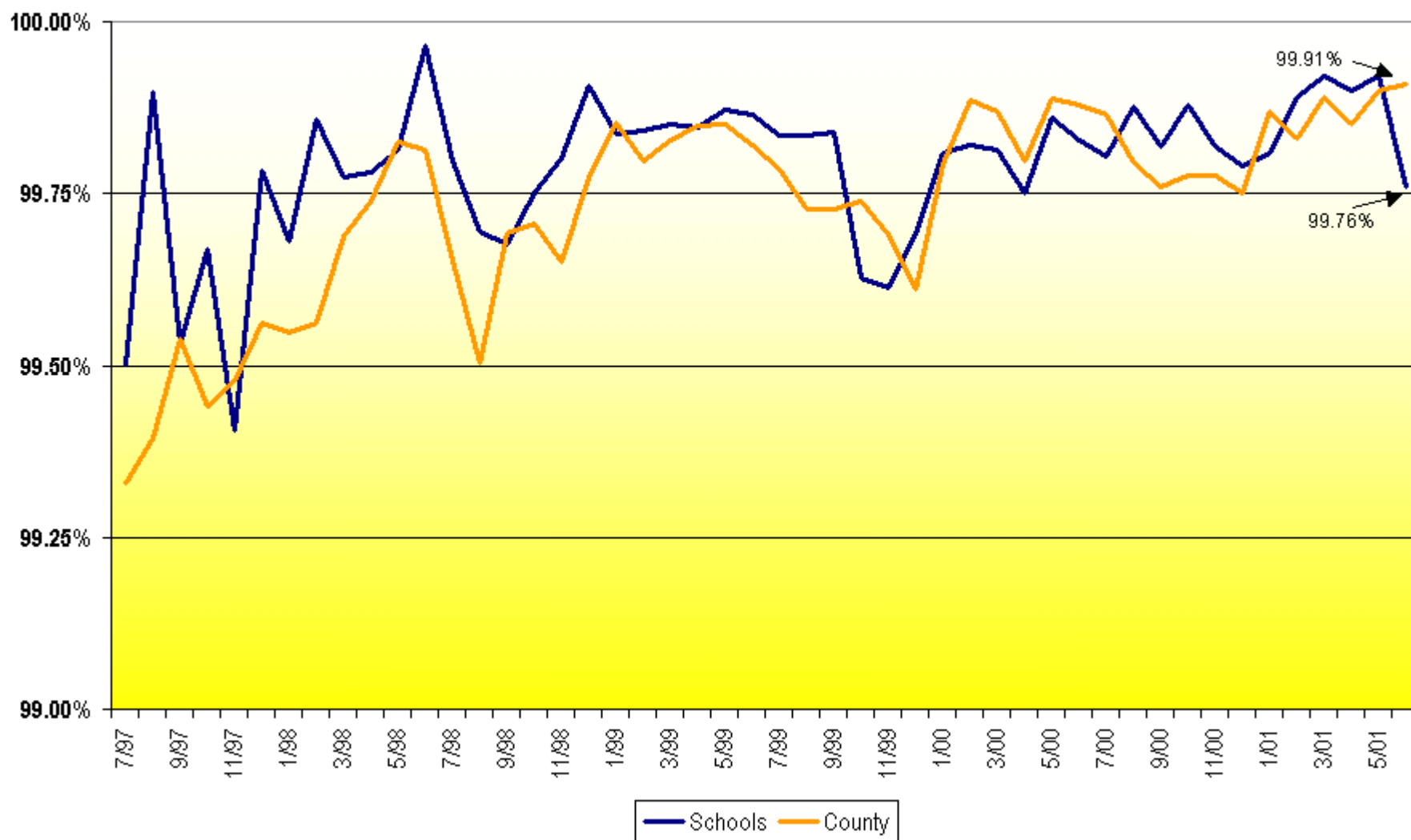


Figure 4



October 5, 2001

John M.W. Moorlach, CPA, CFP
Treasurer - Tax Collector of Orange County
12 Civic Center Plaza, Room G-76
P.O. Box 4515
Santa Ana, CA 92702

Re: Orange County Treasurer's Money Market County Investment Pool
Orange County Treasurer's Money Market Educational Investment Pool

Dear Mr. Moorlach:

At your request, Fitch, Inc. ("Fitch ") affirms the local government investment pool ratings of 'AAA/V1+' on the above referenced pools.

Ratings assigned by Fitch are based on the documents and information provided to us by the Issuer and its experts and agents. Fitch does not audit or verify the truth or accuracy of such information.

Ratings are not a recommendation to buy, sell or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect of any security.

The assignment of a rating by Fitch shall not constitute a consent by Fitch to the use of its name as an expert in connection with any registration statement filed under Federal Securities laws or under the Financial Services Act of 1986.

Ratings may be changed, withdrawn, suspended, or placed on Rating Watch due to changes in, additions to, or the inadequacy of information.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please contact me at (212) 908-0619 or by facsimile at (212) 514-6501.

Sincerely,

John L. Schiavetta, CFA
Managing Director

cc: Paul Gorman-County of Orange

CHALLENGES

I. Treasury Management System

Treasury Management has entered into negotiations to acquire a new Treasury Management System (TMS). The stated goal of the TMS is to move towards achieving straight-through processing of investment, accounting, cash management and banking transactions. The TMS would replace a number of in-house and time-share systems thereby eliminating the need to reconcile each system to the others. The TMS would automate many processes and reports that are currently labor intensive and repetitive. The TMS represents a dramatic change in workflow and will eliminate certain systems currently used to accomplish treasury functions. This presents multiple challenges including staffing the implementation, parallel processing of systems, and intensive staff training.

II. Workforce Planning

Implementation of recommendations from the County-wide Office Services Study may impact positions within the Department. Until the results of this study are disclosed we cannot initiate the much needed job studies for Manager, as well as Supervisory and Non-Supervisory, positions throughout the Department. To obtain the caliber of employee this Department requires we continue with the need to offer advanced step, beginning salary, leaving little room for advancement within the range. The Department will work with CEO/HR to identify the positions most impacted by this study and resolve inequities with positions not addressed in the County study.

III. Economic Environment - 2002

The economy is expected to continue to improve through next year, as capital spending growth gradually starts to turn around and the "inventory unwind" finally runs its course. The critical issue is when and how vigorously the rebound will be sustained.

In our view, the economy is likely to emerge from recession by Q2 2002. We are already seeing signs of economic strength in the Q4 2001 economic indicators.

However, the Federal Open Market Committee isn't going to raise rates anytime soon unless we see a resumption of above trend growth. If the economy stabilizes in 2002, our interest rate environment will not change from the current 2% fed funds rate.

IV. ATS System

The conversion of the ATS Assessor Data from the Datacom database to IBM DB2 is 67 percent complete and is slated to be finished by the first quarter of 2002. The Treasurer-Tax Collector and Auditor-Controller data is scheduled for conversion in the second quarter of 2003. Due to the overall complexity of DB2 and ATS, it is possible that additional unanticipated DB2 conversion issues could delay this project.

V. Proposition 13 Refunds

The recent challenge of the Court's interpretation of Propositions 13 and F to recapture prior year(s) declines in values at a rate of more than two percent annually may result in the issuance of a large number of tax refunds. Since the enactment of Proposition 13, this case has the potential of having the most significant negative impact on the revenues of taxing agencies in California Counties. In the meantime, we anticipate receiving thousands of refund claim forms awaiting a final decision in the Courts. We are in the process of developing contingency plans for a worst-case scenario, i.e. being required to issue thousands of tax refunds to Orange County property owners affected by the ruling. This has the potential of delaying various high priority ATS projects.

RESOURCES

Funding Sources

The departmental budget for the Treasurer-Tax Collector for fiscal year 2001-02 is \$10.2 million in expenditures and \$7.5 million in revenues. The difference or net county cost is \$2.7 million. The components of the \$7.5 million in revenues are as follows:

➤ Investment Services Revenue Paid by the Treasury Pool Participants	\$4.2
➤ Credit Card and Armored Service User Fees	1.5
➤ Tax Collector User Fees	1.4
➤ Supplemental Tax Roll Cost Reimbursement from the State	<u>0.4</u>
DEPARTMENTAL REVENUES	<u>\$7.5</u>

Finances

Our budgeted expenditures for the fiscal years 1993-1994 to 2001-2002 are attached. This shows where we have been and where we are going. Our actual results are provided for the fiscal years 1993-1994 to 2000-2001 for comparative and planning purposes.

The budgeted expenditures for fiscal year 2001-2002 were increased over the actual expenditures for fiscal year 2000-2001 by \$1,165,894 and reflect increased costs. In addition, please see our Departmental Strategic Financial Plan (page 22) which shows that our department continues to participate in the County's long-term financial goals by minimizing net costs to the County General Fund.

Pursuant to SB 2557, the Clerk of the Board, Assessor, Auditor-Controller, and Treasurer-Tax Collector departments involved in the assessment and collection of property taxes are reimbursed by Cities and Special Districts for property tax administration services. The County is reimbursed, pursuant to various provisions of the Revenue and Taxation Code, for the cost of advertising delinquent properties and for the expense of preparing the delinquent tax roll. These revenues are not reflected in our budget but are a revenue source for the General Fund.

The total amount of revenue diverted annually to the General Fund, which represents this department's share of the total expenses, is approximately \$1.3 million. We request that these revenues be reallocated to our budget.

TREASURER - TAX COLLECTOR
ACTUAL VS BUDGET & FORECAST

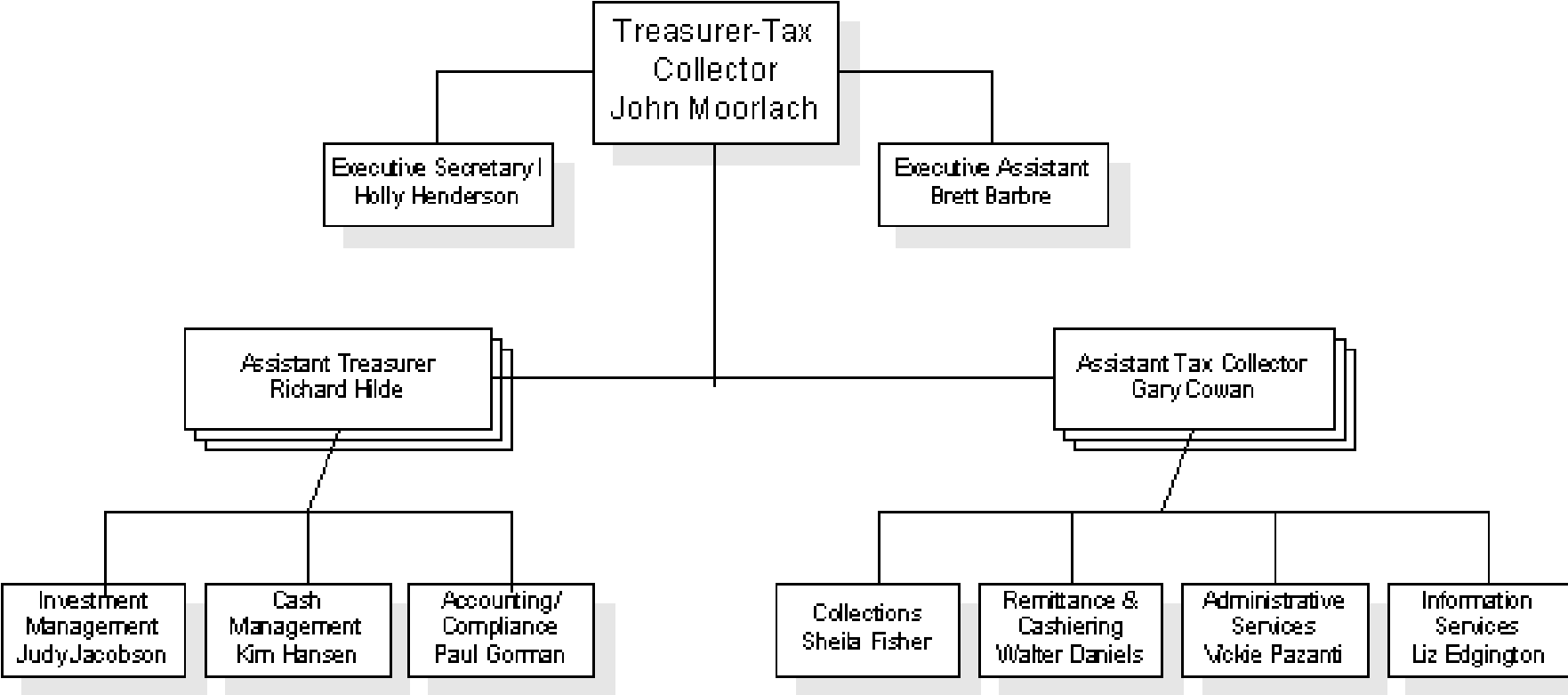
B U D G E T E D E X P E N D I T U R E S

	FY 1993 - 1994	FY 1994 - 1995	FY 1995 - 1996	FY 1996 - 1997	FY 1997 - 1998	FY 1998 - 1999	FY 1999 - 2000	FY 2000 - 2001	FY 2001 - 2002
Salaries and Wages	3,493,692	3,722,643	3,361,578	3,479,073	3,657,656	3,726,112	3,895,795	4,221,123	4,564,946
Banking Services	1,330,470	975,408	1,200,000	800,000	1,789,880	1,777,500	2,274,150	2,637,642	2,790,300
Prof & Specialized Services	867,663	662,980	1,876,307	1,234,651	237,074	424,543	294,790	532,191	610,750
Data Processing Services	1,395,717	564,160	961,715	1,099,265	951,614	1,079,184	1,057,757	1,092,507	1,001,525
Postage	346,500	373,945	402,715	375,049	370,941	382,841	482,480	499,320	519,590
Office Expense	192,459	170,872	148,000	170,376	191,104	196,040	242,460	296,540	322,173
Communications	167,664	189,284	170,000	170,000	147,000	149,645	179,343	148,657	141,390
Maintenance	132,380	118,032	94,900	93,720	102,594	99,922	150,162	178,836	198,346
Minor Equipment	176,748	115,716	20,230	42,210	42,100	116,700	92,448	132,703	25,350
Temporary Help	16,008	67,906	30,000	30,000	30,000	30,000	64,709	36,027	30,260
Printing Costs - Outside Vendors	25,889	35,066	28,002	42,000	34,626	24,600	31,650	32,550	35,805
Publications & Legal Notices	70,000	49,746	45,000	56,200	66,000	66,000	57,200	69,570	76,527
Equipment	130,714	15,200	9,267	8,134	148,725	21,000	18,000	259,600	265,000
Others	33,123	33,986	47,054	248,683	(271,466)	(545,497)	(573,679)	(294,314)	(338,003)
TOTAL	8,379,027	7,094,944	8,394,768	7,849,361	7,497,848	7,548,590	8,267,265	9,842,952	10,243,959

A C T U A L E X P E N D I T U R E S

	FY 1993 - 1994	FY 1994 - 1995	FY 1995 - 1996	FY 1996 - 1997	FY 1997 - 1998	FY 1998 - 1999	FY 1999 - 2000	FY 2000 - 2001	
Salaries / Benefits	3,458,023	3,554,415	3,361,577	3,455,136	3,557,830	3,705,027	3,863,734	4,156,337	
Banking Services	560,380	498,059	149,061	311,924	1,427,639	1,780,561	2,236,095	2,786,477	
Prof & Specialized Services	557,694	595,103	1,374,890	573,543	225,782	390,945	341,423	263,506	
Data Processing Services	1,376,337	1,055,617	1,041,565	1,009,906	891,107	969,273	1,095,676	1,133,199	
Postage	346,778	372,310	321,799	319,335	342,413	419,392	446,636	499,215	
Office Expense	151,077	138,343	130,455	164,077	207,048	239,721	203,538	210,506	
Communications	163,639	169,384	137,282	144,073	128,329	173,499	151,314	133,397	
Maintenance	117,524	88,685	102,108	82,522	95,013	32,593	150,759	97,829	
Minor Equipment	178,940	73,143	28,488	31,461	59,381	89,569	76,706	61,660	
Temporary Help	29,145	66,654	28,083	34,894	64,113	63,296	84,394	79,297	
Printing Costs - Outside Vendors	22,269	30,403	48,291	21,582	33,702	38,363	42,682	37,175	
Publications & Legal Notices	51,017	50,997	74,319	63,527	34,792	50,700	64,072	64,115	
Equipment	114,320	-	9,267	4,978	6,729	-	15,067	16,506	
Others	52,034	30,275	16,574	244,562	(236,032)	(427,783)	(637,440)	(461,154)	
TOTAL	7,179,177	6,723,386	6,823,759	6,461,519	6,837,846	7,525,156	8,134,656	9,078,065	

APPENDIX A. ORGANIZATIONAL CHART



APPENDIX B. REPORT OF 2001 GOALS AND SERVICE PLANS

The Treasurer-Tax Collector Department has made significant progress towards our 2001-2002 goals, objectives and strategies, and in accomplishing new projects in response to a constantly changing operating environment.

Goal 1

Provide a work environment that motivates employees and encourages training and education.

Performance Measure 1.1 Continue to provide training opportunities to managers and staff to aid in MPP/PIP programs.

Fiscal Year 2000-01 Results The department has established and maintains a training log to ensure all new employees receive PIP training or Supervisor/Manager PIP training upon hiring. As issues arise they are discussed in the monthly Supervisor/Manager staff meetings.

We have also established additional training for the entire department to enhance employee development by contracting with the consulting firm of Lillestrand and Associates. This training has assessed individual personalities, group sessions on Stress Management and one-on-one coaching sessions for Managers and Supervisors. We have increased the number of seminars available to the staff, covering a wide variety of work-related topics. The department also encourages PSI classes offered by Santa Ana College.

Performance Measure 1.2 Establish guidelines and procedures for handling purchase requests.

Fiscal Year 2000-01 Results All purchases require a purchase request form to be completed and submitted prior to any purchase being made. The form is available on-line within the Department, instructions on how to complete the document have been established and are included with each request form.

Performance Measure 1.3 Convert from Novell Perfect Office to Microsoft Office.

Fiscal Year 2000-01 Results Conversion complete.

Performance Measure 1.4 **Implement Virtual Timesheets to automate timesheet capture, reporting of reimbursable costs and eliminate redundancy.**

Fiscal Year 2000-01 Results The Department will implement the Virtual Timesheet program prior to the end of the fiscal year.

Goal 2

Embrace strategic alliances to foster public confidence in the department and County.

Performance Measure 2.1 **Transfer remainder of Defined Benefits Plan to third party administrator and trustee.**

Fiscal Year 2000-01 Results Last phase of transfer to third party administrator and trustee will be accomplished by Board of Supervisor action on December 4, 2001. The transfer of any remaining plan administration duties to CEO Human Resources will be accomplished by January 31, 2002.

Performance Measure 2.2 **Evaluate alternate banking solutions for the delivery of Welfare benefits.**

Fiscal Year 2000-01 Results In compliance with the California State Mandate to implement direct deposit, Cash Management participated with Social Services in a Work Group and Steering Committee to implement direct deposit for cash recipients. Clients are scheduled to receive the initial direct deposit payments December 31, 2001.

Performance Measure 2.3 **Consider and evaluate existing banking services and explore the possibility of a new relationship.**

Fiscal Year 2000-01 Results Research showed there was only one bank, in addition to our existing two banks, capable of handling the County's business. We asked for proposals from these three banks. From these proposals, we found benefit from economies of scale in using only one bank. Wells Fargo was chosen and implementation began in March 2001. The conversion is complete, and the County expects to reduce bank fees significantly once the old bank accounts are closed.

Performance Measure 2.4 **Work with CEO, Human Resources, Labor Organizations and Auditor-Controller to promote the benefits of direct deposit and cash cards as alternative methods to the issuance of paper checks for employee payroll.**

Fiscal Year 2000-01 Results The County has mandated that all new employees utilize direct deposit for receipt of their payroll funds. No more action required.

Performance Measure 2.5 **Initiate discussions with District Attorney Family Support to implement payment alternatives for the delivery of child support payments.**

Fiscal Year 2000-01 Results Deferred to 2002 due to other priorities.

Performance Measure 2.6 **Strategize with the Auditor-Controller to establish an Electronic Deposit Order via the Intra/Internet.**

Fiscal Year 2000-01 Results Deferred to 2002 due to other priorities.

Performance Measure 2.7 **Continue to partner with the Assessor, Auditor-Controller, Clerk of the Board and Clerk-Recorder to develop, fund and implement a long-term plan for the Assessment Tax System (ATS). As noted in the 2000 Accomplishments Section, Service Plan 1.6, we have jointly developed an ATS Strategic Plan for the next four years. The total estimated cost for the entire project is \$15.6 million and has been included in the County's Strategic Plan as a priority project.**

Fiscal Year 2000-01 Results Significant progress on various ATS projects has been made. Major projects completed were Fees as a Type of Tax and the implementation of the Bulk Transfer System. In addition, as noted in Performance Measure 3.6, the integration of tax collection fees including returned checks and tax enforcement actions into the ATS Database.

Goal 3

Provide highest quality customer service through courteousness, timeliness and accuracy.

Performance Measure 3.1 **Establish a new Financial Analyst position in the Investment Division of the Treasurer's office. This managerial level single position class will have the primary responsibility of analyzing the credit risk associated with new and approved corporate debt issuers and providing backup for the department's investment programs.**

Fiscal Year 2000-01 Results The Board of Supervisors approved the new Financial Analyst position in May 2001. The position was filled September 2001.

Performance Measure 3.2	Complete the procurement, implementation and training for a Treasury Management System.
Fiscal Year 2000-01 Results	The Treasury Workstation System proposed for 2001 was not found to be feasible. All proposals that were submitted for the Treasury Workstation RFP were rejected. It was determined that no "single" system has been developed that would meet our requirements. The Treasury Workstation project has been redefined for 2002 and will consist of a combination of systems: Bloomberg's Trade Order Management system and Sungard's Quantum system. If this evaluation is positive, procurement of these systems will begin.
Performance Measure 3.3	Continue E-Commerce opportunities for additional payment options via the Internet, including all brands of credit cards and electronic checks.
Fiscal Year 2001-01 Results	Additional E-Commerce payment options via the Internet will be available the end of the fiscal year (June 30, 2002).
Performance Measure 3.4	Provide a legislative alternative for the election of a money market portfolio investment policy statement.
Fiscal Year 2000-01 Results	Legislation was submitted but not approved. Deferred to 2002.
Performance Measure 3.5	Rewrite and consolidate any outdated or duplicate investment language from California Government Code §53601 and §53635.
Fiscal Year 2000-01 Results	AB609 was approved and signed by the Governor.
Performance Measure 3.6	Conversion of tax database from Datacom-Db to DB2 to provide for an up-to-date database supporting Web enabled applications and e-commerce.
Fiscal Year 2000-01 Results	Conversion of ATS Data Base from Datacom DB to IBM DB2 begun in March 2001 with an initial funding of \$252,000. Contract with ACS (formerly Lockheed-Martin IMS) in the amount of \$1.9 million for programming and technical support approved by the Board on June 19, 2001.
Performance Measure 3.7	Upgrade of Remittance Processing System to utilize character recognition technology to increase throughput.
Fiscal Year 2000-01 Results	Deferred to 2002 due to other priorities.

Performance Measure 3.8 **Addition of Workflow imaging software for processing of payments requiring special handling.**

Fiscal Year 2000-01 Results Deferred to 2002 due to other priorities.

Performance Measure 3.9 **Addition of increased archival capabilities to remittance processing to support research on items rejected by the bank.**

Fiscal Year 2000-01 Results Deferred to 2002 due to other priorities.

Performance Measure 3.10 **Other projects that will be pursued as time and resources allow include:**

- Contract Tracking Automation
- Purchase Request Automation
- Electronic Document Management (EDM)
- Web-based Imaging
- E-mail of Images
- Rework of Correspondence and System Generated Letters
- Web-based ACH Debit
- Imaging for Treasurer
- Remote Access (Telecommuting)

Projects above have been deferred to 2002 with exception of Imaging Capability for the Treasurer, which is in process.

2001 ACCOMPLISHMENTS

Additional Accomplishments

1. Converted all Back Office, Bank Reconciliation and Bank Check files from Access Databases to SQL Server Databases.
2. Commenced redesign and coding of the Treasurer-Tax Collector website, with implementation scheduled for 1Q 2002.
3. Assisted the City of Huntington Beach in developing a fair and equitable process to handle inquiries and claim for refunds of the Huntington Beach Retirement Override Tax.

APPENDIX C: SERVICE ENVIRONMENT

Introduction

The Treasurer-Tax Collector Department provides centralized treasury and tax collection services for the County of Orange.

The Treasurer's Office is responsible for the receipt, custody, depository, investment, and recording of funds for the County, school districts, and special districts. Responsibilities also include issuance of short-term debt on behalf of the County and school districts. In addition, this office acts as trustee in connection with unclaimed property and is responsible for the issuance, billing, collection, redemption, and foreclosure of improvement bonds.

The Tax Collector's Office is responsible for collecting taxes on all secured and unsecured property in Orange County. In addition, this office is responsible for the sale of property subject to the "power to sell," formerly known as delinquent tax deeded property. As well as collecting Annual Racehorse Taxes, Transient Occupancy Taxes, and Public Defender judgments, the Tax Collector also provides remittance processing services, information system services, and departmental administrative support.

The Treasurer-Tax Collector consists of the following major divisions:

Investment Management: Provide portfolio management, broker/dealer relations, investment/economic research, liaison for oversight committees, and custody relation services.

Cash Management: Provide bank-related services and relationship management, cash optimization and forecasting, and financial electronic commerce solutions.

Accounting/Compliance: Provide financial reporting, fund accounting, general ledger reconciliations, bank reconciliations, investment accounting and compliance services, and defined benefit plan administration.

Collections: Provide centralized tax compliance services for delinquent unsecured tax collections, prior year secured property tax collections, public defender judgment collections, public information services, property tax problem payment processing, and general correspondence.

Remittance & Cashiering: Provide automated remittance processing for all property tax rolls, refund accounting, tax roll accounting, and cashiering for the Treasurer.

Administrative Services: Provide tax roll reconciliations, purchasing, contract administration, human resources, payroll services, budget, facility operations, telephone, and network services for the Treasurer and Tax Collector Offices.

Information Services: Provide systems development and maintenance support for numerous Treasurer-Tax Collector applications required for the depositing, accounting, and collecting of funds.

In addition, two external committees provide oversight:

- The Board of Supervisors (BOS) established the Treasury Oversight Committee (TOC) in December 1995. The primary purpose of this committee is to review and monitor compliance with the Treasurer's Investment Policy Statement (IPS). In this regard, the committee is required to cause an annual compliance audit of the Treasurer's investment activities.
- The membership of TOC is comprised of the County Auditor-Controller, the County Executive Officer (the representative appointed by the County Board of Supervisors), the County Superintendent of Schools or designee, and two members of the public. TOC may also include the County Treasurer, a representative of the school districts and community college districts, a representative of the special districts, and up to three other members of the public.

Membership of TOC is as follows:

Mr. Chuck Schroeder, Committee Chairman, member of the public
Dr. Michael Schumacher, CEO, County of Orange
Hon. David E. Sundstrom, Auditor-Controller, County of Orange
Mr. Bill Habermehl, Orange County Department of Education
Mr. Bob Fauteux, member of the public

- The Treasurer established the Treasurer's Advisory Committee (TAC) in January 1996 to provide technical assistance to the Treasurer and the TOC with respect to the overall appropriateness of investment strategies and procedures. This includes the design and drafting of the IPS.

The current membership of TAC is as follows:

Hon. Jeffery M. Thomas, Councilman, City of Tustin
Mr. Blake E. Christian, Partner, Holthouse Carlin & Van Trigt
Mr. Clyde E. Kendzierski, Senior Vice President, Sanwa Bank
Mr. Bruce A. Hughes, Hughes & Horowitz
Mr. George Jeffries, G.W. Jeffries & Associates
Dr. Wendy Margarita, Orange County Department of Education

APPENDIX D. LABOR MANAGEMENT COMMITTEE

This committee is comprised of five staff members; Colleen Avila, Darlene Kataoka, Leslie Ruiz, Vickie Pazanti and Walter Daniels, along with a representative from Orange County Employee's Association (OCEA). The Treasurer-Tax Collection department has remained proactive in resolving concerns of the staff before they become major problems. In February 2001 this department, with guidance from Internal Audit, participated in an off-site Controlled Self Assessment Workshop. The department principally received high ratings for management methods and the staff morale, however, certain issues were raised by attendees. We continue, with the assistance of the Labor Management Committee members, to respond to these employee concerns and include feedback to all staff members. Additionally, Vickie Pazanti and Walter Daniels, members of the Labor Management Committee were involved in the development of strategies and formulating this business plan.

APPENDIX E. BUSINESS PLAN TEAM

John M. W. Moorlach, Treasurer-Tax Collector
Richard Hilde, Assistant Treasurer
Gary Cowan, Assistant Tax Collector
Paul Gorman, Principle Accountant/Auditor
Kim Hansen, Cash Manager
Liz Edgington, Information Systems Manager
Sheila Fisher, Tax Compliance Office Manager
Vickie Pazanti, Senior Staff Analyst
Walter Daniels, Senior Accounting Officer Supervisor II
Judy Jacobson, Chief Investment Officer
Holly Henderson, Communications Director

APPENDIX F. OUTLINE OF AB 589

TREASURER-TAX COLLECTOR							
AB 589 REQUESTS							
ITEM		BENEFITS				COST	TOTAL
Additional Staff for Delinquent Collections							
Two Collection Officers		\$4.2 Million in Additional				\$97,000	
One Acctg Assistant II		Collections				\$39,000	
One Paralegal		To assist attorney				\$57,000	
Bankruptcy Attorney		To approve claims, file motions, etc.				\$111,000	\$304,000
Flat Screen Computer Screens							
		To add working space					\$40,000
Nationwide Skip Tracing Software							
		To locate delinquent taxpayers					\$10,000
Information System Extra Help							
One Word Processing/Spread-Sheet Programmer		To convert various tax collection macros in Word Perfect and Quatro-Pro to Word and Excel					\$50,000
Procedure Writer							
		To update Tax Collector Procedure Manual and to convert to Robo-Help					\$50,000
Programmer/Analyst							
		To document existing computer programs and to writer user manuals					\$90,000
Office Remodel Project							
		To improve public service, cashiering and mail room operations.					\$200,000
General Office Upgrades-							
		Painting and Wall Covering Maintenance					\$25,000
Additonal Terminal for Unsecured Counter							
							\$2,000
Grand Total							
							\$771,000